

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2017-9

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 16-18 AND 21-22 OF
CHAIRMAN'S INFORMATION REQUEST NO. 1
(August 11, 2017)**

The United States Postal Service hereby provides its response to the above-listed Questions of Chairman's Information Request No. 1, issued August 2, 2017. The questions are stated verbatim and followed by the response. Responses to the other questions were filed on August 9, 2017.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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- 16.** The Postal Service states that “[c]arriers may be loaned on short notice to another finance number to assist with SPR deliveries there.” Petition at 2.
- a. Are CCAs the only type of letter carriers loaned out in this way? If not, please identify the other types of letter carriers that are loaned out in this way.
 - b. What procedures, if any, do city carriers follow to track their time when loaned on short notice to another office?
 - c. How are costs impacted or allocated (for cost attribution purposes) when city carriers are loaned on short notice?
 - d. Are the recent city carrier costs logged at CAG K or L offices due to city carriers loaned on short notice to assist with SPR deliveries there? If not, please explain the city carrier changes in these offices.¹⁵
 - e. Please explain why the IOCS does not sample full-time or other city carriers employed in CAG K or L offices.¹⁶

RESPONSE:

- a. No. Any type of city carrier can be loaned to another office, although in some locations there may be additional contractual requirements for regular carriers.
- b. City carriers on loan would typically swipe the timeclock located in the office in which the carrier was on loan. A supervisor in the office where the loaned carrier clocked would fill out Postal Form 1620 so that the loaned carrier’s workhours are charged to the correct finance number.

¹⁵ The post office quarterly accounting data broken down by craft and CAG-finance group level is included in Docket No. ACR2016, USPS-FY16-37, folders “ALB” “HQ624D01” in files “FY161,” “FY162,” “FY163,” and “FY164.” The second to last populated column shows the accrued quarterly costs for full-time city carriers and the last populated column shows the accrued quarterly costs for other city carriers. The CAG K costs are shown on the last line in the respective city carrier columns referenced above.

¹⁶ See Docket No. ACR2016, USPS-FY16-37, PDF file “USPS-FY16-37.pdf,” Table 2, at 5.

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c. When the carrier is loaned to another station or branch that has the same lead finance number, IOCS should conduct the reading on that carrier and there will be no impact on the attribution of costs. If the carrier is loaned to another office that does not have the same lead finance number, then IOCS does not conduct readings on the carrier, and no data are available to be used for cost attribution. If the IOCS reading should have been conducted, but is missed and not rescheduled, then costs are impacted only to the extent that the activities of carriers whose readings are missed differ from the "average activities" for carriers in the same category.

d, e. No. The very few city carriers assigned to CAG K offices clock almost exclusively to regular letter routes rather than SPR. In FY2016, there were only twelve carriers assigned to CAG K offices. There likely has not been any significant change in actual costs, but there has been a recent change in reporting. Beginning with FY2015, CAGs K and L were grouped together with the CAG H/J strata (Docket No. RM2015-9). Costs for each of the CAGs in the current H-L strata are reported separately in the FY2016 ALB.HQ624D01 quarterly files of accounting data, although these separate costs are aggregated together when performing estimation for that strata.

Prior to FY2015, costs for CAG K carriers were assigned to the CAG H/J strata. Presumably this was done because IOCS would have had entire fiscal years without a single carrier reading, and in that eventuality, IOCS would have been unable to attribute any of the CAG K carrier costs. The transfer of carrier costs away from the CAG K strata may also explain why CAG K carriers were not sampled. The Postal Service

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intends to resume sampling of carriers at CAG K offices in FY2018 and include their readings, if any, with the other, approximately 1,500, carriers in the CAG H-L strata.

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17. The Petition states that there are “practical challenges in implementing the IOCS sample that may lead to systematic errors in IOCS-based estimates of total costs for carrier work assignments, including route group totals.” Petition at 2.
- a. Please describe what the systematic errors would be and which work assignments would be impacted.
 - b. Please specify if these “systematic errors” apply to both full-time and other city carriers. If they do, please explain why. If they do not, please describe the relevant differences between full-time carriers and other city carriers.

RESPONSE:

- a. If new employees have assignments and perform activities that are different from those of carriers that have been on the payroll for at least two pay periods, then IOCS would systematically understate costs associated with those specific “new employee” assignments and activities. This may include more training activities and less letter route casing activities, for example. Similarly, for carriers loaned to another office with a different lead finance number, activities conducted more frequently than other carriers who have worked within the same lead finance number group for more than four weeks will be understated by IOCS.
- b. These systematic errors could apply to both full-time and to other city carriers, but are more likely to apply to transitional carriers such as CCAs. There is a higher turnover rate for CCAs, and thus more CCAs that are new employees. Also, CCAs have contracts with a maximum length of six months, and a mandatory break between subsequent contracts. Sometimes a CCA may obtain a subsequent contract at a different finance number without the mandatory break.

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18. The letter route group street time costs calculated in Proposal Five are approximately \$167 million less than those calculated in Docket No. ACR2016¹⁷ while the SPR group street time costs are nearly \$200 million higher.¹⁸ Please explain, with technical details and specific IOCS cost estimation components,¹⁹ how removing city carriers in the first four weeks of employment and city carriers loaned to other offices would result in a reduction in the letter route group street time costs of \$167 million and an increase of nearly \$200 million in the SPR group street time costs.

RESPONSE:

Special Purpose Routes have relatively more street time than regular letter routes.

Increasing the attribution of costs to SPR causes street time costs to increase, and office and training costs to decrease. For example, overall street costs for regular routes declined by 1.4 percent, the same as the overall reduction in costs for regular routes.²⁰

Similarly, street costs for SPR increased by 40 percent, the same as the overall increase in costs for SPR.

¹⁷ Compare Proposal Five letter route group street costs in the Excel file "CS06and7-RM2017-9.Prop.5.xlsx," tab "7.0.4.1," cell "D11" (\$11,729,825,000) with Docket No. ACR2016, USPS-FY16-32, Excel file "CS06&7-Public-FY16.xlsx," tab "7.0.4.1," cell "D11" (\$11,897,123,000).

¹⁸ Compare Proposal Five SPR route group street costs in Excel file "CS06and7-RM2017-9.Prop.5.xlsx," tab "Input IOCS," cell "K21" (\$683,984,000) with Docket No. ACR2016, USPS-FY16-32, Excel file "CS06&7-Public-FY16.xlsx," tab "Input IOCS," cell "K21" (\$488,478,000).

¹⁹ See the cost estimation components in the "1. Design Based Weight" and "2. Cost Weighting Factor" parts in the "D. Cost Estimation" section of the IOCS documentation provided in Docket No. ACR2016, USPS-FY16-37, PDF file "USPS-FY16-37.pdf," at 6.

²⁰ See Excel workbook IOCSTally16CarwashCostAdjustmentComp.xlsx in USPS-RM2019-7/1, sheet Tables, cell F8 for the percentage change in letter route costs, which is almost the same as the percentage change in street costs in cell D11 in sheet 7.0.4.1 in the two "CS06&7" workbooks, except for some small differences in activities such as training.

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21. The Postal Service states that Proposal Five's methodology is "analogous to the methodology of cost segment 3 for MODS 1 and 2 finance numbers, where MODS workhours are used to establish mail processing costpools." Petition at 2. In Docket No. ACR2015, the Postal Service also stated that: "[d]ifferences between IOCS cost [pools] and [MODS/TACS workhour developed] cost pools can result from . . . supervisors edit[ing] the operation code for TACS clock rings and/or aggregated workhours subsequent to IOCS readings, or prediction errors in cases where tallies with missing or invalid MODS codes are assigned to cost pools based on the employee's recorded activity." Docket No. ACR2015, Response to CHIR No. 19, question 4. As a result, for the mail processing cost pools, the Postal Service adjusts either the costs for the IOCS-developed cost pools or the MODS/LDC/TACS cost pools based on the sampled employees actual clocked MODS code and activity identified and recorded by the IOCS data collector at the MODS 1 and 2 facilities.
- a. Please discuss whether the TACS LDC workhours developed cost pools under Proposal Five would also be adjusted at MODS 1 and 2 facilities based on the sampled employee's actual clocked MODS code and activity identified by the IOCS data collector. If no adjustment is planned at MODS 1 and 2 facilities under Proposal Five for differences in IOCS city carrier cost pools versus TACS LDC developed cost pools, please discuss the reasons why none are needed.
 - b. For MODS 1 and 2 facilities, please provide the IOCS developed letter route and SPR group office, street, and training cost pools for both full-time and other city carriers.
 - c. Please compare the MODS 1 and 2 facilities IOCS-developed cost pools provided in part "b." of this question with the same cost pools developed under the Proposal Five methodology. Please discuss the reasons for any material differences between the cost pools developed under the current methodology and the Proposal Five methodology and the reasons why one or the other cost pool by city carrier and route group is more or less accurate.

RESPONSE:

- a. No adjustment of the TACS-based cost pools based on comparisons of the MODS code and IOCS activity is planned. IOCS tallies of city carriers do not record the full MODS operation code of city carriers, because IOCS question

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Q16A1 records only whether the employee is clocked into an office or street operation. This is in contrast to Cost Segment 3, where the 3-digit MODS operation code is necessary to match tallies with the MODS-based cost pools. Note that the Cost Segment 3 models do not generally adjust cost pools for differences between the MODS operation and the IOCS activity. Rather, the IOCS activity is used to match tallies to cost pools in cases where the MODS operation code recorded in question Q18A1 is missing or invalid.²¹ Note also that almost all city carriers have electronic clock rings that are recorded in TACS, including carriers in both MODS 1 and 2 offices and carriers in non-MODS offices, so MODS/TACS operations-from-clock-ring data are available for both office groups.

- b. See attached workbook RM2017-9.ChIR1.Q21-22.Attach.xlsx, sheet Pivots. Column B provides the IOCS costs for MODS 1 and 2 offices from FY2016.
- c. In the same sheet, Column G provides the corresponding costs for MODS 1 and 2 facilities using the methodology of Proposal Five. Column K compares these to FY2016 costs. The cost pools for SPR are materially affected, but the Postal Service believes that this is an improvement that addresses some of the difficulties in IOCS sampling.

²¹ IOCS is used to reallocate some costs from cost segment 3.1 to cost segment 3.2 and 3.3, in accordance with Commission methodology, which largely maintains the IOCS-based cost segment definitions that existed prior to Docket No. R97-1.

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- 22.** Currently, mail processing cost pools at non-MODS facilities do not employ the same MODS/LDC/TACS workhours methodology used for MODS 1 and 2 facilities. Instead, specific costs are developed using the IOCS identified activity, rather than the TACS/MODS operation codes or workhours directly. Please discuss whether the TACS LDC workhours developed cost pools under Proposal Five would also be adjusted at non-MODS facilities based on the sampled employee's actual clocked MODS code and activity identified by the IOCS data collector. If no adjustment is planned at non-MODS facilities under Proposal Five for differences in IOCS city carrier cost pools versus TACS LDC developed cost pools, please discuss the reasons why none are needed.
- a. For non-MODS facilities, please provide the IOCS developed letter route and SPR group office, street, and training cost pools for both full-time and other city carriers.
 - b. Please compare the non-MODS facilities IOCS-developed cost pools provided in part "a." of this question with the same cost pools developed under the Proposal Five methodology. Please discuss the reasons for any material differences between the cost pools developed under the current methodology and the Proposal Five methodology and the reasons why one or the other cost pool by city carrier and route group is more or less accurate.

RESPONSE:

- a. See attached workbook RM2017-9.ChIR1.Q21-22.Attach.xlsx, sheet Pivots.

Column C provides the IOCS costs for non-MODS 1 and 2 offices from FY2016.
- b. In the same sheet, Column H provides the corresponding costs for non-MODS 1 and 2 facilities using the methodology of Proposal Five. Column Q compares these to FY2016 costs. The cost pools for SPR are materially affected, but the Postal Service believes that this is an improvement that addresses some of the difficulties in IOCS sampling.